Stepan Co. (SCL)

Updated March 12th, 2026, by Josh Arnold

Key Metrics

Current Price:	$47	**5 Year CAGR Estimate:**	25.9%	**Market Cap:**	$1.07 B
Fair Value Price:	$56	**5 Year Growth Estimate:**	20.0%	**Ex-Dividend Date:**	06/02/2026[1]
% Fair Value:	84%	**5 Year Valuation Multiple Estimate:**	3.6%	**Dividend Payment Date:**	06/15/2026
Dividend Yield:	3.4%	**5 Year Price Target**	$139	**Years Of Dividend Growth:**	59
Dividend Risk Score:	A	**Sector:**	Materials	**Rating:**	Buy

Overview & Current Events

Stepan Co. was founded in 1932 and at the outset, it sold only one product: a chemical to keep dust down on Illinois' country roads. Since that time, it has grown to manufacture basic and intermediate chemicals, with surfactants making up most of its revenue. It has a market capitalization of $1.07 billion and should do about $2.5 billion in revenue this year. Stepan is also a Dividend King, having increased its payout for 59 consecutive years.

Stepan posted fourth quarter and full-year earnings on February 23rd, 2026, and results were worse than expected. Adjusted earnings-per-share came to a loss of two cents. Revenue was up 5.4% year-over-year to $554 million, missing estimates by $16.7 million. Global sales volume was down 3% year-over-year as volume globally was flat.

Consolidated adjusted EBITDA was $33.8 million for the quarter, down from $35 million a year earlier, which was due to lower operating income in Surfactants.

Surfactants revenue was $402 million, up from $379 million a year earlier, but organic volume was off 3%. Polymers net sales were $132 million, on an 11% volume increase.

Cash from operations was $60 million for the quarter, with free cash flow at $25 million, both of which were higher from the year-ago period. Net debt was $494 million at the end of the quarter, a $32 million reduction from the end of 2024.

Stepan boosted its dividend for the 59th consecutive year, this time adding 2.6% to a new payout of $1.58 per share annually. We start the year at $2.80 in adjusted earnings-per-share.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$3.73	$3.92	$4.88	$5.12	$5.68	$6.16	$6.65	$2.21	$2.20	$1.82	***$2.80***	***$6.97***
DPS	$0.78	$0.86	$0.93	$1.03	$1.13	$1.27	$1.37	$1.47	$1.51	$1.55	***$1.58***	***$2.02***
Shares[2]	22	23	23	23	23	23	23	22	23	23	***23***	***24***

Stepan's earnings have been somewhat inconsistent, but over time have grown at decent rates. The company is beholden to the world's manufacturers, so any sort of economic weakness can have severe consequences on earnings. It does boast a wide and deep array of customers, so concentration is not a problem, but as we've seen in the past, weakness in just one business line can cause Stepan's results to vary widely from one year to another. Stepan was in the right place at the right time with its surfactant business, capturing additional demand for 2020 and into 2021, although that tailwind dissipated in 2022. Global sales volumes have been weak continuously since 2022 and has not improved yet. Volume is showing signs of weakness, and one wonders how long raw material pass-throughs can persist.

We are forecasting a five-year average earnings-per-share growth rate of 20%, consisting of highly volatile sales growth and likely margin expansion. The company's cost-saving program has been in place for some time and has yielded operating margin gains. Margins were volatile on a year-over-year basis in 2023 given supply chain issues, which also caused margin problems in 2021 and 2022. So long as this condition persists, Stepan's margins are at risk. We have a

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[1] Estimated date

[2] Share count in millions

high estimate of growth because of the low base for 2025 and 2026, not because we think Stepan is better positioned than it was.

The company's dividend has grown steadily in the past decade, and the stock now yields 3.4%, which is extremely high based upon its historical norms. We expect the payout will rise modestly as the company has used its extra cash to fund dividend increases.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	16.3	19.1	16.5	18.0	18.4	20.0	16.1	42.8	29.4	26.0	***16.8***	***20.0***
Avg. Yld.	1.3%	1.2%	1.1%	1.1%	1.1%	1.0%	1.3%	1.6%	2.3%	3.3%	***3.4%***	***1.4%***

Stepan's price-to-earnings multiple has come well off its highs. The stock is lower than our estimate of fair value, which we peg at 20 times earnings. We think the company is going to see easing of supply chain disruptions in the coming months, and sales volumes were okay Q4. Cost savings should help support earnings, but we don't see cause to raise the fair value multiple without big improvements in volume and margins.

We see the yield declining over time as the share price should grow much more quickly than the dividend.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	21%	22%	19%	20%	20%	21%	21%	67%	69%	85%	***56%***	***29%***

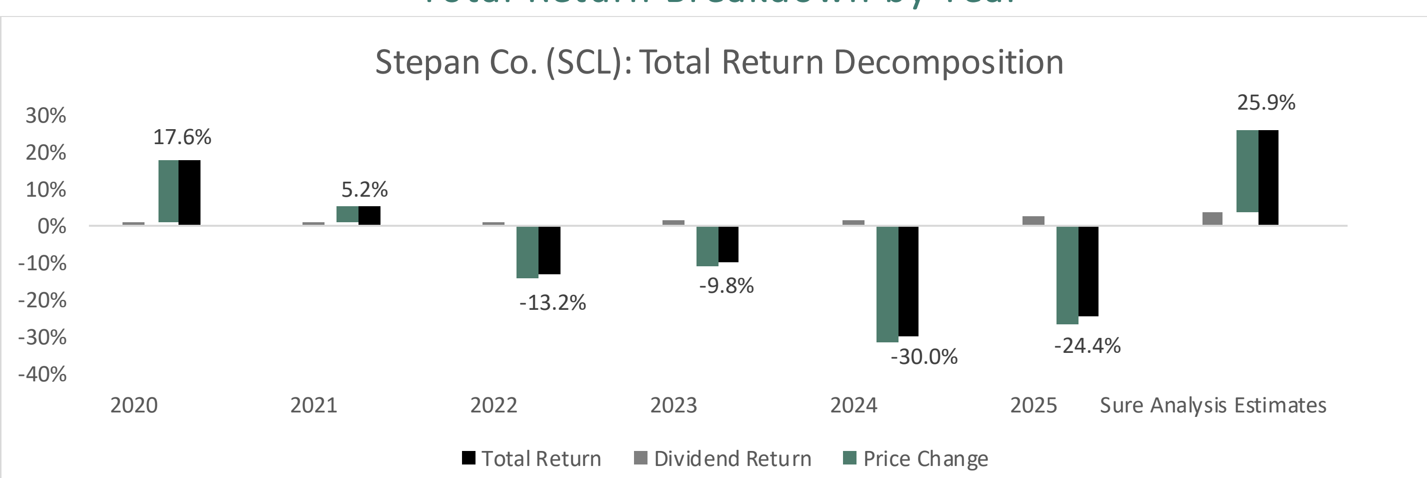
Stepan's payout ratio is about 56% of earnings, and we see it declining markedly should the forecast growth in earnings come to fruition. Recent struggles with earnings growth is likely to keep management slightly more cautious in the near term in raising the dividend.

The company's competitive advantage is in its diverse, global customer base and many decades of engineering experience. Stepan's competitors cannot easily supplant its position with existing customers given the often-custom nature of what Stepan engineers for them. However, Stepan is certainly not immune to economic weakness and as we've seen, its earnings-per-share history shows that results can bounce around from one year to another.

Final Thoughts & Recommendation

We are forecasting total annual returns for the next five years of 25.9%, comprised of the 3.4% current yield, 20% earnings-per-share growth and a 3.6% tailwind from the valuation. Given this, we're reiterating the stock at a buy rating following Q4 earnings, but note there's a fair amount of uncertainty surrounding Stepan's outlook.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	1,766	1,925	1,994	1,859	1,870	2,346	2,773	2,326	2,180	2,332
Gross Profit	339	346	339	340	384	396	427	278	272	270
Gross Margin	19.2%	18.0%	17.0%	18.3%	20.5%	16.9%	15.4%	12.0%	12.5%	11.6%
SG&A Exp.	149	135	133	155	143	159	152	146	144	140
D&A Exp.	75	79	81	79	82	91	95	105	112	126
Operating Profit	135	158	152	129	173	175	209	73	70	69
Operating Margin	7.6%	8.2%	7.6%	7.0%	9.2%	7.5%	7.5%	3.1%	3.2%	3.0%
Net Profit	86	101	111	103	127	138	147	40	50	47
Net Margin	4.9%	5.2%	5.6%	5.5%	6.8%	5.9%	5.3%	1.7%	2.3%	2.0%
Free Cash Flow	109	120	84	113	109	(122)	(141)	(85)	39	25
Income Tax	28	46	27	23	43	35	42	8	10	13

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,354	1,471	1,515	1,579	1,752	2,066	2,433	2,363	2,305	2,358
Cash & Equivalents	226	299	300	315	350	159	174	130	100	133
Accounts Receivable	263	294	280	277	301	420	437	422	388	388
Inventories	174	173	232	204	219	306	403	266	289	299
Goodwill & Int. Ass.	48	44	37	41	52	158	154	150	134	132
Total Liabilities	718	730	706	687	764	991	1,267	1,147	1,135	1,114
Accounts Payable	158	205	206	194	237	323	376	233	259	262
Long-Term Debt	317	291	276	222	199	364	455	654	333	676
Shareholder's Equity	635	740	807	892	987	1,074	1,166	1,216	1,170	1,244
LTD/E Ratio	0.50	0.39	0.34	0.25	0.20	0.34	0.39	0.54	0.28	0.56

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	6.6%	7.1%	7.4%	6.7%	7.6%	7.2%	6.5%	1.7%	2.2%	2.0%
Return on Equity	14.5%	14.7%	14.4%	12.1%	13.5%	13.4%	13.1%	3.4%	4.2%	3.9%
ROIC	9.4%	10.2%	10.5%	9.4%	11.2%	10.5%	9.6%	2.2%	3.0%	2.5%
Shares Out.	22	23	23	23	23	23	23	23	23	23
Revenue/Share	76.48	82.35	85.48	79.72	80.40	100.74	120.24	101.36	95.08	101.88
FCF/Share	4.72	5.14	3.62	4.84	4.71	(5.25)	(6.10)	(3.72)	1.71	1.11

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.